

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
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FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC 9844

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E.O. 11652: N/A

TAGS: ETRD, PA

SUBJ: GSP: FIRST YEAR REVIEW

REF: STATE 67507, BURSON MEMO OF MARCH 28, 1977

1. GOP OFFICIALS AND LOCAL BUSINESS COMMUNITY ARE UNABLE TO SUPPLY HARD DATA IN RESPONSE TO POINTS RAISED BY REFTEL BUT A STUDY NOW UNDER WAY IN THE GOP EXPORT PROMOTION AGENCY HOPES TO ANSWER THESE AND RELATED QUESTIONS. WE EXPECT TO HAVE ACCESS TO THIS STUDY IN ABOUT ONE MONTH AND WILL SEND A FOLLOW-UP REPORT AT THAT TIME.

2. ALL PERSONS CONTACTED NEVERTHELESS EXPRESSED OPINION THAT GSP HAD BEEN A SIGNIFICANT FACTOR IN INCREASED PARAGUAYAN EXPORTS TO THE UNITED STATES; HOWEVER, A GLANCE AT THE STATISTICS FOR TOTAL EXPORTS TO THE U.S. WOULD SEEM TO INDICATE THAT GSP HAD NEGLIGIBLE EFFECT. ACCORDING TO OFFICIAL GOP FIGURES, EXPORTS TO THE U.S. ROSE FROM \$15.5 MILLION IN 1975 TO \$21.3 MILLION IN 1976, AN INCREASE OF OVER 37 PERCENT. YET U.S. FIGURES IN THE REFERENCED MEMO SHOW THAT DURING THE SAME TIME PERIOD GSP IMPORTS FROM

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PARAGUAY INCREASED LITTLE MORE THAN 1 PERCENT, FROM \$9.1 MILLION TO \$9.2 MILLION. ON THE RISKY ASSUMPTION THAT BOTH GOP AND USG FIGURES ARE REASONABLY ACCURATE AND SUBSTANTIALLY MEASURE THE SAME THING OVER THE \$9.2 MILLION GSP RANGE, IT APPEARS THAT THE GSP HAD LITTLE OR NOTHING TO DO WITH THE LARGE INCREASE IN EXPORTS TO THE U.S.

3. STATISTICAL ERROR IS ONE POSSIBLE EXPLANATION FOR THIS APPARENT DISCREPANCY. WE HOPE TO OBTAIN EXPORT FIGURES BROKEN DOWN BY PRODUCT CATEGORY SOON, AND WILL THEN BETTER BE ABLE TO DETERMINE IF THIS IS THE CASE. ANOTHER POSSIBLE CAUSE LIES IN PARAGUAY'S TIME HONORED TRADITION OF SMUGGLING. IT IS POSSIBLE THAT MANY SHIPMENTS LEAVE PARAGUAY OFFICIALLY BOUND FOR THE U.S. BUT NEVER GET BEYOND NEIGHBORING COUNTRIES. THESE OF COURSE ARE RECORDED AS EXPORTS TO THE U.S.

4. THE EMBASSY CANNOT OFFER ANY SUGGESTIONS AS TO WHY GSP BENEFITS WERE NOT CLAIMED FOR A LARGE PORTION OF TSUS 470.57 EXPORTS, WHICH WE ASSUME TO BE MAINLY QUEBRACHO EXTRACT. LOCAL AUTHORITIES WERE SURPRISED TO LEARN THIS, AND HAVE PROMISED TO LOOK INTO IT IMMEDIATELY. OUR FOLLOW-UP REPORT WILL INCLUDE THEIR FINDING.
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